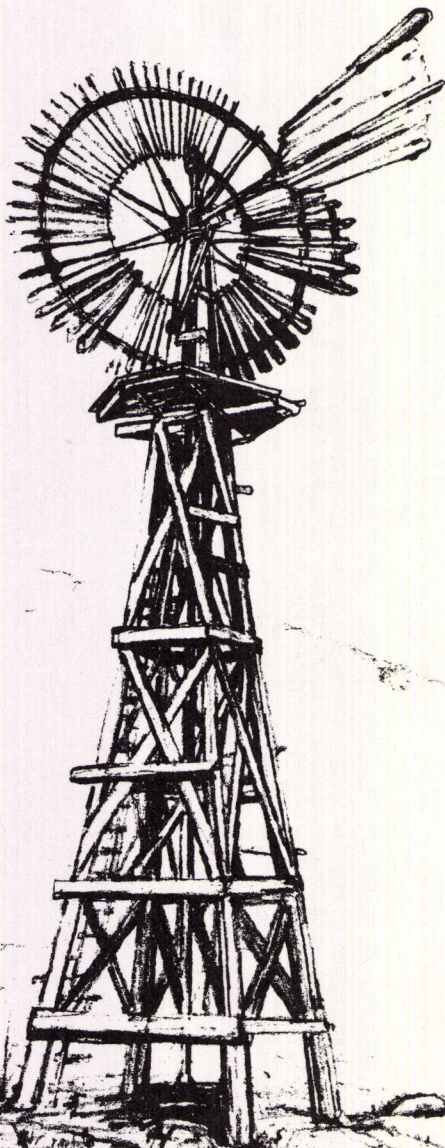


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UTELITE CORPORATION

FINANCIAL STATEMENT

DECEMBER 31, 1992

Lynn M. Carlson & Co.

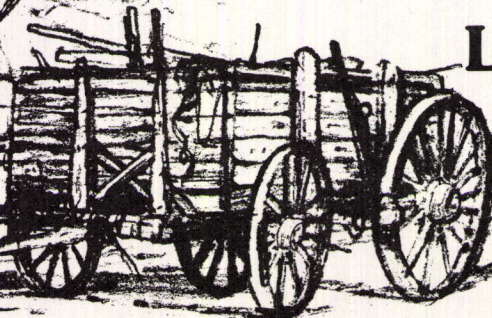
CERTIFIED PUBLIC ACCOUNTANTS

175 SOUTH MAIN STREET

SUITE 250

SALT LAKE CITY, UTAH 84111

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CORRESPONDENCE TO
P.O. BOX 3690
SALT LAKE CITY, UTAH
84110-3690

To the Board of Directors

Utelite Corporation

Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities—income tax basis of **Utelite Corporation** (an S corporation) as of December 31, 1992, and the related statements of revenues and expenses—income tax basis, retained earnings—income tax basis and cash flows—income tax basis for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of **Utelite Corporation**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.



LYNN M. CARLSON & CO.

March 31, 1993

UTELITE CORPORATION**STATEMENT OF ASSETS, LIABILITIES & EQUITY--INCOME TAX BASIS**

December 31, 1992

ASSETS**CURRENT ASSETS**

Cash	\$140,653.34
Trade Accounts Receivable	607,035.97
Employee Accounts Receivable	573.63
Material in Process	303,259.42
Notes Receivable--Current	14,178.82
Notes Receivable Shareholders--Current	7,000.00

TOTAL CURRENT ASSETS 1,072,701.18**PROPERTY AND EQUIPMENT**

Land	273,486.49
Buildings & Land Improvements	293,360.59
Plant Machinery & Equipment	2,168,244.64
Pollution Control Equipment	235,854.11
Machinery	555,656.82
Autos, Trucks, Trailers	60,026.68
Office Equipment	54,892.69
Less Accumulated Depreciation	(2,699,175.89)

942,346.13**OTHER ASSETS**

Notes Receivable--LT	19,615.65
Notes Receivable Shareholder--LT	155,229.04
Assets in Progress	170,239.79

345,084.48**\$2,360,131.79**

See accompanying notes and accountant's report.

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$50,345.34
Accrued Payroll Taxes	10,755.05
	<hr/>

TOTAL CURRENT LIABILITIES **61,100.39**

LONG TERM LIABILITIES

TOTAL LIABILITIES **61,100.39**

STOCKHOLDERS' EQUITY

Common Stock, Par Value \$1.00	164,758.00
500,000 Shares Authorized	
164,758 Shares Issued of which	
49,690 are Held in Treasury	
Premium on Capital Stock	225,613.70
Treasury Stock	(49,690.00)
Retained Earnings	1,958,349.70
	<hr/>

2,299,031.40

\$2,360,131.79

UTELITE CORPORATION
STATEMENT OF REVENUE AND EXPENSES--INCOME TAX BASIS
For the Twelve Months Ended December 31, 1992

SALES	\$3,622,256.21
COST OF SALES	
Inventory Adjustment	(27,929.33)
Direct Labor	634,529.95
Plant Power & Utilities	102,073.71
Kiln Fuel	380,265.16
Delivery Expense	1,038,642.23
Small Tools	1,705.95
Supplies	23,167.56
Repairs & Maintenance	206,745.48
Fuel & Oil	50,135.75
Raw Material Royalties	17,247.18
Lab & Testing	4,027.78
	<u>2,430,611.42</u>
GROSS PROFIT	1,191,644.79
EXPENSES	
Marketing & Promotion	11,232.01
Employee Benefits	103,235.56
Payroll Taxes	71,073.99
Advertising	9,328.70
Travel & Sales	18,529.98
Insurance	14,524.20
Telephone	14,529.67
Legal & Professional	18,930.97
Office Supplies & Postage	17,961.63
Taxes & Licenses	46,915.46
Auto Allowance & Expense	13,746.06
Miscellaneous & Bank Charges	3,483.22
Bad Debts	0.00
Dues, Subscriptions	12,136.83
Training	4,372.28
Depreciation	230,257.10
Management & Accounting	448.08
Rents & Leases	8,143.96
MSHA	1,362.08
ESCSI	8,815.00
Air Pollution Control	228.48
Depletion	82,241.85
	<u>691,497.11</u>
INCOME FROM OPERATIONS	500,147.68
OTHER INCOME (EXPENSE)	
Interest & Dividend Income	43,854.73
Gain (Loss) on Sale of Assets	(5,875.66)
Interest Expense	(2,691.28)
	<u>35,287.79</u>
NET INCOME	<u><u>\$535,435.47</u></u>

See accompanying notes and accountant's report.

UTELITE CORPORATION**STATEMENT OF RETAINED EARNINGS--INCOME TAX BASIS**

For the Twelve Months Ended December 31, 1992

ACCUMULATED ADJUSTMENTS ACCOUNT

Balance, January 1, 1992	\$1,147,022.02
Taxable Income	535,435.47
Distributions	<u>(545,000.00)</u>
Balance, December 31, 1992	1,137,457.49

PREVIOUSLY TAXED INCOME

Balance, January 1, 1992	22,407.87
Distributions in Excess of the Accumulated Adjustments Account	<u></u>
Balance, December 31, 1992	22,407.87

OTHER RETAINED EARNINGS

Balance, January 1, 1992	716,242.49
Additions to Allowance for % Depletion	<u>82,241.85</u>
Balance, December 31, 1992	798,484.34

TOTAL RETAINED EARNINGS, DECEMBER 31, 1992**\$1,958,349.70**

See accompanying notes and accountant's report.

UTELITE CORPORATION**STATEMENT OF CASH FLOWS--INCOME TAX BASIS**

For the Twelve Months Ended December 31, 1992

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$535,435.47
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	230,257.10
Depletion	82,241.85
(Gain) Loss on Sale of Assets	5,875.66
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(344,882.99)
(Increase) Decrease in Inventory	(27,929.33)
Increase (Decrease) in Accounts Payable	(40,597.98)
Increase (Decrease) in Accrued Expenses	5,633.31
NET CASH PROVIDED BY OPERATING ACTIVITIES	446,033.09

CASH FLOWS FROM INVESTING ACTIVITIES

Loan to Employee	(15,000.00)
Principal Received on Employee Loan	6,591.08
Principal Received on Sunbeam Coal Purchase Contra	2,878.25
Principal Received on Western Clay Company	55,210.14
Principal Received on Shareholder Loans	24,829.60
Employee Advances	(73.63)
Capital Expenditures	(208,025.03)
Proceeds from Dispositions of Assets	487.56
NET CASH PROVIDED BY INVESTING ACTIVITIES	(133,102.03)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Bank Loan	(122,783.57)
Distributions Paid to Stockholders	(545,000.00)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(667,783.57)

NET INCREASE IN CASH (354,852.51)**CASH AT BEGINNING OF PERIOD 495,505.85****CASH AT END OF PERIOD \$140,653.34**

See accompanying notes and accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Basis of Accounting

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

Allowance for Doubtful Accounts

No reserve for bad debt has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

Inventories

Inventories are valued at the lower of cost or market under the first-in, first-out, (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

Depreciation

Property, plant and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Company includes only cash on deposit and similar demand deposits that are not subject to withdrawal restrictions or material penalties as cash and cash equivalents.

NOTE B--PROFIT SHARING PLAN

The company maintains a profit sharing plan for its employees. Contributions to the plan are based on eleven cents (\$.11) per yard of product sold in the quarters that the Company is profitable, an additional \$.0225 per yard of product sold is contributed to the profit sharing plan regardless of whether the company is profitable or not, and \$.0225 per yard of product produced is contributed in quarters that the company is profitable.

Profit sharing contributions expensed as an employee benefit in these financial statements are \$23,647.60.